

Alaska Department of Natural Resources



RESOURCE DEVELOPMENT COUNCIL

SEPTEMBER 15, 2011

DNR COMMISSIONER DAN SULLIVAN

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DNR OVERVIEW

About DNR



DNR Mission Statement:

- *Responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest.*

Article 8, Section 1 of the Alaska Constitution provides that:

- *"it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest."*



About DNR

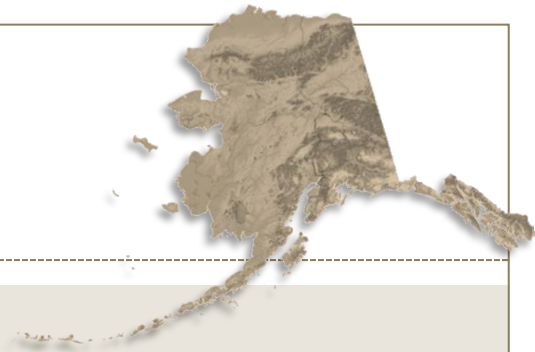


DNR:

- Manages one of the largest portfolios of oil, gas, minerals, renewable resources, water, and land in the world.
- Manages all oil and gas fields on state land, including two of the largest oil and gas fields in North America.
- Oversees all activities that occur on state land, which includes approximately 100 million acres of uplands, 60 million acres of tidelands, shorelands, and submerged lands, and 40,000 miles of coastline.

Alaska as a Storehouse:

Hydrocarbons, Minerals, Timber, & Water



Oil: 40 billion barrels of undiscovered, technically recoverable reserves on the NS and OCS

Gas: 236 trillion cubic feet of undiscovered, technically recoverable natural gas on the NS and OCS

Coal: 17% of the world's coal; *2nd most in the world*

Copper: 6% of the world's copper; *3rd most in the world*

Lead: 2% of the world's lead; *6th most in the world*

Gold: 3% of the world's gold; *7th most in the world*

Zinc: 3% of the world's zinc; *8th most in the world*

Silver: 2% of the world's silver; *8th most in the world*

Rare earth elements: over 70 occurrences

Timber: 17% of U.S. forest land

Water: ~40% of U.S. fresh water
USGS global resource assessments

Challenges & Opportunities



Challenges:

- Arrest TAPS throughput decline
- Continue momentum on gas pipeline
- Ensure safety of aging infrastructure
- Address high-energy costs in the Interior and rural Alaska and the Railbelt's supply issue
- Foster resource development: mining, timber, and hydro—under federal control
- Increase permitting efficiencies and decrease backlog
- Ensure access to state lands

Opportunities:

- North Slope remains a world-class energy basin, with more oil than any other Arctic nation
- Massive mineral deposits and water
- Vast amounts of renewable resources
- New players looking to unlock our resource potential
- Ongoing innovation

Building a DNR Team



- **Bill Barron**, Director, Division of Oil & Gas
- **Brent Goodrum**, Director, Division of Mining, Land & Water
- **Ben Ellis**, Director, Division of Parks & Outdoor Recreation
- **Kurt Gibson**, AGIA Coordinator
- Division of Mining, Land & Water – *new hires for permitting reform*

Part Two



SECURE ALASKA'S FUTURE - OIL

*The State of Alaska's Comprehensive
Strategy to Increase Throughput in
the Trans-Alaska Pipeline System*

One Million Barrels/Day:

Arresting TAPS Throughput Decline



- TAPS has transported over 16.3 billion barrels of oil and natural gas liquids since June of 1977. Production peaked at 2.2 million barrels per day in the late 1980s, representing 25% of the U.S. domestic production.
- Since its peak, however, throughput has steadily declined; today, TAPS is 2/3 empty and declining at 6% per year.
- TAPS throughput decline threatens economic disruption and the very existence of our pipeline.
- We must encourage industry to invest in exploration and development of conventional and unconventional resources on state and federal land, onshore and offshore.
- TAPS has plenty of capacity for increased throughput.
- Federal officials are interested in making this a national priority.

Alaska as a Storehouse: *Hydrocarbons*



The State of Alaska is still a world-class hydrocarbon basin.



North Slope

- The North Slope of Alaska is a massive hydrocarbon basin near existing infrastructure.
 - **OIL:** There are 40 billion barrels of oil on the North Slope and Outer Continental Shelf (*USGS estimates*).
 - **GAS:** There are 236 trillion cubic feet of natural gas on the North Slope and Outer Continental Shelf (*USGS estimates*).
- Alaska has huge potential for unconventional resources, including tens of billions of barrels of heavy oil, shale oil, and viscous oil.

Cook Inlet

- The USGS estimates (2011) that mean undiscovered volumes of the following resources remain to be found in the Cook Inlet:
 - 600 million barrels of oil
 - 19 trillion cubic feet of natural gas
 - 46 million barrels of natural gas liquids
- In June 2011, the State of Alaska received the highest number of Cook Inlet lease sale bids in 28 years, totaling more than \$11 million.

Secure Alaska's Future: *Oil*



*The State of Alaska's
Comprehensive
Strategy to Increase
TAPS Throughput to
One Million
Barrels/Day*



- I. Enhance Alaska's global competitiveness and investment climate
- II. Ensure the permitting process is structured and efficient
- III. Facilitate and incentivize the next phases of North Slope development
- IV. Unlock Alaska's full resource development potential through partnerships with key stakeholders
- V. Promote Alaska's resources and positive investment climate to world markets

I. Enhance Alaska's Global Competitiveness and Investment Climate



- Cornerstone of this strategy is the Governor's Tax Reform
- Enact fiscal modifications to increase Alaska's global competitiveness and increase investment
 - Restructure tax regime for existing units to reduce marginal tax rates at higher prices for production by capping overall production taxes at 50%
 - Incentivize exploration and development in areas outside of existing units
 - Cap overall production taxes at 40% for these new units
- Review and consider royalty modification applications for marginal fields
- Improve infrastructure access and lower cost structure for resource development to more rapidly bring new production to the market
 - Roads to Resources—Construct a road to Umiat

II. Ensure Permitting Process is Structured and Efficient To Accelerate Resource Development



- Make immediate improvements to the review and process for incoming land and water use applications and eliminate the permitting backlog within three years
- Reduce permitting costs by streamlining the permitting process
- Recommend a comprehensive suite of regulatory and statutory reforms designed to provide regulatory certainty, timeliness, and clarity
- New MLW employees
- High-level permitting task force has already begun work
- Working with the federal government on federal permitting reform

III. Facilitate and Incentivize the Next Phase of North Slope Oil Development



- The next phase of North Slope Development includes:
 - OCS resources
 - Federal onshore resources: NPR-A and ANWR 1002 Area
 - Unconventional resources: heavy, viscous, and shale oil
 - Shale Oil Task Force is looking at infrastructure, permitting reform, water use, and gravel needs
 - Smaller pools of conventional oil

IV. Unlock Alaska's Resource Potential by Promoting Constructive Partnerships



- Establish “Secure Alaska’s Future” Council to ensure continued partnership and coordination among stakeholders
- Increase congressional and national support for Alaska oil development
- Seek detailed planning and coordination with the federal government to increase energy development and enhance U.S. national and energy security
- Where federal partnership with Alaska is rejected, continue to vigorously advocate the state’s interests to ensure responsible resource development

V. Promote Alaska Resources and Positive Investment Climate to World Markets



- Make the case on the strategic importance of domestic production and Alaska's role
- Promote Alaska to increase investment
- Boost public knowledge about our:
 - Resource base
 - Favorable political and investment climate
 - Strong commitment to environmental protection
 - Desire to welcome the investment needed to increase production of oil, gas, and other resources that are in such high demand

Part Three

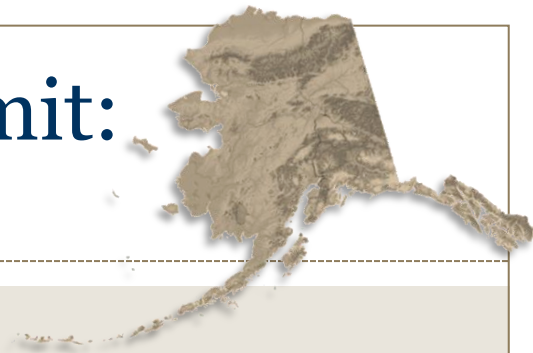


STRATEGIC & CRITICAL MINERALS SUMMIT

*Fairbanks Princess Riverside Lodge
September 30, 2011*

Strategic & Critical Minerals Summit:

Fairbanks, September 30, 2011



Alaska has over 70 known areas with documented potential to host REE deposits



- **Objective:**

- To highlight Alaska's potential for exploration, development, and processing of strategic and critical minerals, including Rare Earth Elements (REEs)

- **Agenda includes:**

- Discussions concerning: Global resources and demand; AK's efforts to facilitate responsible resource development and economic growth; and AK's mineral potential, research fronts, and industry activity
- Roundtable discussion
- Reception and investor networking session at the Museum of the North

- **Featuring:**

- *Keynote Address:* The Honorable Governor Sean Parnell
- *Luncheon Address:* The Honorable Lisa Murkowski

Strategic & Critical Minerals Summit:

Fairbanks, September 30, 2011

- **Date:**
Friday, September 30, 2011
- **Time:**
8:30 a.m. – 5:15 p.m., with reception
at 6:00 p.m.
- **Location and Lodging:**
Fairbanks Princess Riverside Lodge
- **Registration:**
<http://alaskastrategicminerals.eventbrite.com>
- **Sponsored by:**
State of Alaska and University of
Alaska Fairbanks

